



COMMONWEALTH OF VIRGINIA
DEPARTMENT OF HUMAN RESOURCE MANAGEMENT

Benefits Administrator Memo

#05-13

To: Benefits Administrators
From: Mary P. Habel, Director
State and Local Health Benefits Programs
CC: All OHB
Date: October 25, 2005
Re: Notification to Medicare-Eligible Retiree Group for January 1, 2006

The annual rate notification package to Medicare-eligible participants in the State Retiree Health Benefits Program will be mailed to home addresses starting Wednesday, October 26. The availability of Medicare Part D, the new Medicare prescription drug benefit, has resulted in significant changes to the drug coverage offered under the Advantage 65, Option I and Option II Plans. This will be a challenging year for participants as they choose between their state plan prescription drug option and many other options offered directly through separate, non-state-plan Medicare Part D plans. If you administer benefits for retirees, please read through these materials thoroughly so that you can respond to participants' questions regarding the new drug coverage, the new medical-only option, and the resulting administrative changes.

Materials included in the package are attached.

Notification Letter to Participants

New Prescription Drug Coverage: All existing Medicare-coordinating plans (Advantage 65, Option I and Option II) will provide one prescription drug benefit effective January 1, 2006. Participants who elect to keep their prescription drug coverage through the state program will

be automatically enrolled in Medicare Part D via their state program enrollment. However, participants who wish to get their drug coverage outside of the state program (e.g., through another, non-state Medicare Part D plan) may elect a new state program offering, Advantage 65—Medical Only (or Advantage 65 + Dental/Vision—Medical Only, as appropriate), which does not include outpatient prescription drug coverage. Participants who choose this option will need to enroll for drug coverage separately through a non-state plan if they wish to have a prescription drug benefit, and it is important to note that Medicare beneficiaries who do not have creditable prescription drug coverage for 63 or more days will generally pay a higher premium for Medicare Part D coverage if they enroll at a later date. Participants who need additional information about non-state Medicare Part D plans should be referred to 1-800-MEDICARE or www.medicare.gov.

A summary of the new state Medicare-coordinating plans' prescription drug benefit is included in the notification package, along with premiums for 2006. **Please do not discuss premium levels with retiree group participants until after October 26** since we feel it would be detrimental for participants to receive only premium information without the benefit of all other pertinent program information. Other than the prescription drug benefit, there will be no additional medical or dental/vision (if elected) benefit changes for 2006 under any of the Medicare-coordinating plans.

Any requests for allowable changes to be effective January 1, as outlined in the notification, should be submitted by November 30 to the appropriate Benefits Administrator using the special enrollment form that is enclosed with the notification package. Participants who take no action will automatically maintain their existing plan election, including the new prescription drug benefit. If a medical-only plan is elected, it is important to note that once prescription drug coverage has either been declined (such as at retirement, the start of VSDP LTD, or upon new Medicare eligibility) or dropped (such as electing medical-only coverage for January 1, 2006), it may never be added again.

Finally, as participants begin to compare drug costs for their new prescription drug options (both state and non-state plans), Medco will be their resource regarding the new state plan formulary, drug tiers and actual drug costs. Please note, however, that the dedicated Medco toll-free number and Web site noted in the notification letter will not be available until November 1.

Additional Information Requested: Participants have been asked to confirm the Medicare Claim Number on their Medicare Health Insurance Card. If the number is anything other than their Social Security Number with an "A" at the end, they are asked to submit that number by November 30 using the special enrollment form provided in the notification package. If you are a Benefits Administrator for any Medicare-eligible retiree group participants who need to report their Medicare Claim Number, you may make this change by using the PSB111 transaction. The field in BES is named "HIC" number. When successfully transferring a participant to a Medicare plan, BES will automatically default the HIC to the Social Security Number plus an "A".

New ID Cards/ID Numbers/Member Handbooks: All Medicare-eligible retiree group participants will receive new ID cards in mid-December. If a plan including prescription drug coverage is elected (or defaulted due to no action by the participant), participants will receive a new Anthem card (for medical and dental/vision benefits, as appropriate) and a Medco card

(for prescription drug benefits). If one of the new Advantage 65—Medical Only plans is elected, only an Anthem card will be received (no drug benefits).

Open Forum Newsletter

All Medicare-eligible participants will receive this newsletter which includes additional information regarding options for January 1, including some examples and a worksheet.

Retiree Meeting Schedule

Statewide meetings will be available to Medicare-eligible retiree group participants who have additional questions about their choices for January 1. A meeting schedule has been provided in the notification package.

Special January 1, 2006, Enrollment Form

An enrollment form specifically designated for January 1, 2006, changes or Medicare Claim Number updates will be included with the notification package. The form includes additional instructions.

Other Retiree Group News and Information

New Retirements/VSDP LTD Participants: If you are assisting Medicare-eligible employees with retirements or VSDP Long Term Disability to be effective January 1, 2006, or later, please be sure to use the updated enrollment form that will be available soon on the DHRM Web site. The updated form includes the new medical-only plan options. The new form should also be used for existing retiree group participants who become eligible for Medicare January 1, 2006, or later.

If you key a new retirement of a Medicare-eligible individual with an effective date of January 1 or earlier between now and the end of the year, please provide them copies of the materials attached to this document in order to explain the new prescription drug options for 2006. If an election for January 1 is not made, coverage will default to the pre-January 1 plan, including the new prescription drug benefit.

Creditable Coverage Notices: All agencies will receive Notices of Creditable Coverage ("Important Notice from the Commonwealth of Virginia Health Benefits Program About Your Prescription Drug Coverage and Medicare") to be distributed to all active employees. This notice is being provided to fulfill the requirement of the Medicare Modernization Act of 2003 to notify all Medicare-eligible health plan participants of their rights and responsibilities related to Medicare Part D. Since we have no way of knowing which active employees and dependents are eligible for Medicare, a notice will be provided to all employees. In addition, a notice will be mailed to all employees who are age 65 or older in January 2006 or who have covered dependents who are age 65 or older in January 2006.

Medicare-eligible retiree group participants who elect to keep prescription drug coverage under the state Medicare-coordinating plans on January 1, 2006, will not receive a notice since they will be automatically enrolled in a Part D plan through the state program. Therefore, no notice is required. (Medicare-eligible retiree group participants who remain in COVA Care due to their family membership level will be required to enroll directly in a non-state program Part D plan since COVA Care is secondary to Medicare for any of those Medicare-eligible family members. Additional guidance will be provided at a later date regarding your ongoing responsibilities regarding Creditable Coverage Notices.

Plan Change At Retirement or Start of LTD: Please note that, other than electing a plan based on the new retiree's (or new LTD participant's) Medicare status, there will be no restriction in making a plan change when moving to the retiree group. The previous consistency requirement has been removed, so a new retiree or LTD participant may add or delete COVA Care optional benefits as long as they do so within the required election time frame.

If you have any questions, please send them to hbp@dhrm.virginia.gov.